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BEFORE THE ARIZONA CORPORATION COM

COMMISSIONERS

BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ORIGINAL

Arizona Corporation Commission

DOCKETED

JUN 02 2014

DOCKETED BY

IN THE MATTER OF THE
REORGANIZATION OF UNS ENERGY
CORPORATION.

DOCKET NO. E-04230A-14-0011
DOCKET NO. E-01933A-14-0011

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Testimony of Patrick J. Quinn and Ralph Smith in support of the Settlement Agreement, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 2nd day of June, 2014.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 2nd day
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UNS ENERGY CORPORATION
DOCKET NO. E-04230A-14-0011
DOCKET NO. E-01933A-14-0011

DIRECT TESTIMONY
OF
PATRICK J. QUINN
IN
SUPPORT OF THE SETTLEMENT AGREEMENT

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JUNE 2, 2014

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6
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TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION.....	1
THE SETTLEMENT PROCESS	2
SUMMARY OF TESTIMONY	5
SETTLEMENT PROVISIONS	5
PUBLIC INTEREST	6
AREAS OF IMPORTANCE	7

EXECUTIVE SUMMARY

The Arizona Residential Utility Consumer Office ("RUCO") presents the direct testimony of RUCO Director Patrick J. Quinn in support of the Proposed Settlement Agreement reached in the matter of the reorganization of UNS Energy. Mr. Quinn recommends that the Arizona Corporation Commission approve the Proposed Settlement Agreement for the following reasons:

The Proposed Settlement Agreement reflects an outcome that is fair to both the ratepayer, UNS Energy, and FORTIS and is in the public interest.

The Proposed Settlement Agreement is a comprehensive settlement agreement. Its terms settle a wide range of issues that were of significant interest to the settling parties

The Proposed Settlement Agreement contains numerous ratepayer benefits and resolves several areas of importance to RUCO in the acquisition of UNS by FORTIS, all of which will be explained more fully in Mr. Quinn's testimony.

INTRODUCTION

Q. Please state your name, occupation and business address for the record.

A. My name is Patrick J. Quinn. I am the Director of the Arizona Residential Utility Consumer Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. I have a BS in Mathematics and a MBA from the University of South Dakota. Additionally, I have 35 plus years of experience in the Telecommunications Industry and the Consulting business dealing with utility regulation. I have testified over 50 times before state and federal regulatory commissions on issues including finance, economics, pricing, policy and other related areas.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain RUCO's support of the UNS Energy/Fortis ("UNS/FORTIS") reorganization Proposed Settlement Agreement ("Agreement or Settlement").

...

...

1 **Q. Have you participated in other settlement negotiations?**

2 A. Yes. I have participated in settlement negotiations in other matters that
3 have come before the Arizona Corporation Commission ("ACC" or
4 "Commission") both from the utility and consumer side. The majority of
5 these negotiations have resulted in reaching an accord with the utility and
6 the other settling parties, leading to the signing and supporting of a
7 settlement agreement. On the other hand, I have walked away from
8 settlement talks when negotiations produced a result I could not support. I
9 have been involved in several recent negotiations where I represented
10 RUCO. Some have resulted in settlements and others did not settle
11 because RUCO found that they were not in the best interest of residential
12 ratepayers. RUCO does not enter into settlements lightly. RUCO will not
13 agree to settle simply as a means of avoiding litigation. However, in this
14 matter, negotiations did produce reasonable and fair terms that RUCO can
15 and does support.

16
17 **THE SETTLEMENT PROCESS**

18 **Q. Was the negotiation process that resulted in the Settlement**
19 **Agreement a proper and fair process?**

20 A. Yes. The Agreement is the result of numerous hours of negotiation and a
21 willingness among the parties to compromise. The negotiations were
22 conducted in a fair and reasonable way that allowed each party the
23 opportunity to participate. All intervenors had an opportunity to participate

1 in every step of the negotiation. Notice for each scheduled meeting was
2 sent to all parties electronically. Persons were able to participate via
3 teleconference, if necessary.

4
5 By RUCO's count, at least 13 parties participated in the Agreement.
6 These participants represent a wide range of interests including
7 homebuilders association, consumer organizations, industry, union, many
8 other organizations, Commission Staff ("Staff") and RUCO.

9
10 **Q. Did all the parties sign the Agreement?**

11 A. No. At the very end, twelve parties chose to sign the Agreement. The
12 parties that did not sign have the opportunity to file testimony to explain
13 their reasons for not signing the Agreement.

14
15 **Q. Why is a negotiated settlement process an appropriate way to**
16 **resolve this matter?**

17 A. By its very nature, a settlement finds middle ground that the parties can
18 support. All the parties that participated in the settlement talks were
19 sophisticated parties who were well seasoned in the ACC's regulatory
20 processes and veterans of the negotiating table. The fact that twelve
21 parties representing such varied interests were able to come together to
22 reach consensus illustrates the balance, moderation and compromise of
23 the document.

1 Settlement negotiations began only after each party had the opportunity to
2 analyze UNS/FORTIS' Application, file its direct testimony and read the
3 direct testimony of other Intervenors. Of course, the Agreement in no way
4 eliminates the ACC's constitutional right and duty to review this matter and
5 to make its own determination whether the Agreement is truly balanced
6 and in the public interest.

7

8 **Q. Do you have any general comments you would like to make.**

9 A. Yes. The acquisition of UNS by FORTIS Inc. is different than many of the
10 acquisitions I have been involved in. This was not an acquisition of two
11 companies where there would be a lot of possibilities of synergies and
12 cost reductions. Basically FORTIS was acquiring UNS and leaving its
13 management, operations and decision making in Tucson. They were not
14 getting folded into FORTIS in the traditional sense. This made it
15 somewhat more difficult to find big expense savings to provide givebacks
16 to the ratepayers. Having said that the final Settlement does contain
17 many significant benefits to the residential ratepayers. The Settlement did
18 include 66 terms and conditions, some with many parts. I will discuss
19 below the significant conditions that the residential ratepayer received for
20 supporting approval of this acquisition.

21

22

23

SUMMARY OF TESTIMONY

Q. Please summarize your testimony.

A. The Agreement reflects an outcome that is fair to the consumer, UNS Energy and Fortis and is in the public interest. Furthermore, this is a comprehensive agreement. Its terms settle a wide range of issues that were of significant interest to several of the intervenors.

RUCO supports the Agreement in its entirety because it contains numerous benefits to the consumer.

SETTLEMENT PROVISIONS

Q. In summary, what are the major benefits to the residential consumer?

A. The major benefits to the residential consumer are as follows:

- Ratepayer credits totaling \$30 million over 5 years (Condition 1)
- Within 60 days of closing FORTIS will infuse \$220 million of equity into UNS (Condition 2) which among other things will improve the utilities' equity ratio.
- FORTIS is a much larger Company than UNS Energy which when acquired, should result in greater access by the utility to the financial markets as well as cheaper debt and equity. The ratepayers should see lower rates overall as a result.

- 1 • Any tax benefits realized from the sale and buy back of treated coal will
- 2 be passed onto the TEP ratepayers through the PPFAC (Condition 3)
- 3 • All future Rate Cases filed through 2020 shall show that the proposed
- 4 rate increases are lower than they would have been absent the
- 5 acquisition (Condition 4)
- 6 • Several provisions about not seeking recovery from the ratepayers of a
- 7 variety of costs associated with the acquisition (Conditions 5 thru
- 8 11,13)
- 9 • Several provisions to improve UNS' capital structure and credit quality
- 10 (Conditions 16 thru 25)
- 11 • The Company will maintain or improve service quality (Conditions 28
- 12 thru 30)
- 13 • Commitment to maintain Corporate governance in Tucson, Arizona
- 14 (Conditions 39 thru 42)

15

16 **PUBLIC INTEREST**

17 **Q. How is the public interest satisfied by the Agreement?**

18 A. At the most fundamental level, the Agreement satisfies the public interest

19 from RUCO's perspective in that it provides favorable terms and key

20 protections for residential consumers as defined above. Taken together

21 the Settlement's conditions adequately mitigate the risk identified in the

22 prior testimonies of Ralph Smith and Lon Huber. The Agreement also

23 satisfies the public interest by providing a fair and balanced approach in

1 supporting the acquisition of UNS by FORTIS and allowing the Company
2 the opportunity to be successful. Further, the acquisition will not impair the
3 utilities financial position, but rather enhance it.

4
5 **AREAS OF IMPORTANCE**

6 **Q. You mentioned several areas of importance that are critical for RUCO**
7 **to sign on to the Agreement. Would you like to address them?**

8 **A.** Yes. Any time there is an acquisition RUCO tries to identify synergy cost
9 savings that can be shared with the residential ratepayer. However, in this
10 particular acquisition of UNS by FORTIS there is not the typical large
11 scale synergies but there are some synergies nonetheless. Basically
12 Fortis is acquiring UNS and leaving it operationally intact as an
13 independent company in Tucson. Therefore, Condition 1 of the Agreement
14 where the Company agreed to ratepayer rate credits of \$30 million over
15 the next 5 years was acceptable to RUCO when joined with the additional
16 protections contained in the Agreement. This is a direct benefit that will be
17 seen by ratepayers. Perhaps less direct, but of great importance is the
18 stronger financial position that the utility will be in as a result of the
19 acquisition. The greater access to the financial markets coupled with the
20 cheaper costs of equity and debt should save ratepayers money. Finally,
21 by the terms of the Agreement, the Company is required to show that its
22 rates under the acquisition will be lower in any rate cases through 2020.

1 That one provision alone will result in ratepayers being better off than the
2 status quo at least through 2020 should a rate case be filed.

3

4 **Q. Another area of concern was the capital structure of UNS. The**
5 **capital structure was mostly made up of debt. Did FORTIS agree to**
6 **help this situation?**

7 A. Yes, In Condition 2 of the Agreement FORTIS agreed to infusion \$220
8 million of equity into UNS. Additionally, in Condition 16 FORTIS agreed to
9 limit its dividend payout from UNS to FORTIS to no more than 60 percent
10 of annual earnings for 5 years to help balance TEP's capital structure.
11 These measures should help strengthen the financial position of UNS
12 Energy and its three Arizona regulated utilities (i.e. Tucson Electric Power,
13 UNS Electric and UNS Gas).

14

15 **Q. Are there any other financial benefits to the ratepayer in the**
16 **Agreement?**

17 A. Yes. UNS has a potential arrangement to sell coal to a third party which
18 treats the coal and sells it back to UNS for use in their generating plants.
19 There are IRS benefits generated by treating this coal. FORTIS in
20 Condition 3 agreed to pass onto the TEP ratepayers through the PPFAC
21 the cost savings and financial benefits generated from this type of coal
22 treatment transaction. This would be a direct reduction to a cost paid by
23 the ratepayers.

1 **Q. Additionally there is always concerns that Companies will try to pick**
2 **up costs associated with the acquisition or acquisition later on from**
3 **the ratepayer. Have the ratepayers been protected from that in this**
4 **Agreement?**

5 A. Yes. This was one of the critical concerns of RUCO. The Agreement
6 addresses our concerns completely. There are several Conditions that
7 address issues including goodwill, shareowner litigation costs, retention
8 payments, acquisition premiums, transaction costs and other related
9 costs. These are identified more in Conditions 5 through 15 of the
10 Agreement. These Conditions provide great protection for ratepayers in
11 the future.

12
13 **Q. Are there any other Conditions you would like to discuss?**

14 A. Yes. I have only discussed a few of the 66 Conditions of the Agreement
15 that were very important to RUCO. Others of the Agreement are also
16 important like keeping local control in Tucson. Given the totality of the
17 Agreement RUCO is very supportive of the acquisition of UNS by
18 FORTIS.

19
20 **Q. Does this conclude your testimony on the Agreement?**

21 A. Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE REORGANIZATION OF
UNS ENERGY CORPORATION

) DOCKET NO. E-04230A-14-0011
) DOCKET NO. E-01933A-14-0011
)

TESTIMONY IN SUPPORT
OF THE SETTLEMENT AGREEMENT
OF
RALPH C. SMITH
ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE
JUNE 2, 2014

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. TESTIMONY AND CONCLUSIONS	2

ATTACHMENTS

None.

I. INTRODUCTION

Q. Please state your name, position and business address.

A. Ralph C. Smith. I am a Senior Regulatory Consultant at Larkin & Associates, PLLC, 15728 Farmington Road, Livonia, Michigan 48154.

Q. Are you the same Ralph C. Smith who provided direct testimony on behalf of Residential Utility Consumer Office ("RUCO") in this proceeding?

A. Yes.

Q. What is the purpose of the testimony you are presenting?

A. The purpose of my testimony is to support the Settlement among the parties that was filed on May 16, 2014 concerning the acquisition of UNS Energy by Fortis, Inc. Specifically, I address how the Settlement has incorporated most of the additional or modified conditions that I had recommended in my direct testimony, and generally how the conditions contained in the Settlement improve upon the acquisition that had originally been proposed by the Joint Applicants. I also discuss how the Settlement provides for significant tangible ratepayer benefits, something which had not been included in the Joint Applicants' initial proposal.

Q. Have you prepared any attachments to be filed with your testimony in support of the Settlement?

A. No.

II. TESTIMONY AND CONCLUSIONS

Q. Please summarize your testimony and conclusions.

A. The Settlement incorporates a number of additional conditions based on recommendations by RUCO and other parties, such as Staff, to help protect Arizona ratepayers from some of the risks that the proposed acquisition would have otherwise presented and to provide significant tangible benefits to Arizona ratepayers. Notably, in addition to having significantly improved ratepayer protections, the Settlement also incorporates an important provision for the provision of specific tangible ratepayer benefits, which had been lacking in the Joint Applicants' initial proposal.

Q. What additional or modified conditions had you recommended be imposed on the proposed transaction to prevent harm to Arizona ratepayers and provide for specific tangible benefits?

A. My direct testimony included the following recommended additional or modified conditions:

- Fortis and UNS Energy agree to provide economic customer benefit adjustments totaling \$59 million.¹ These benefits will include both immediate and long term benefits. RUCO is still working on defining these benefits and will either supplement this testimony or provide details of the nature of the benefits in its surrebuttal case. This amount is based on UNS being larger than Central Hudson and Central Hudson received the equivalent of \$49 million in customer benefits.
- In the event that Fortis completes any additional mergers or acquisitions within the United States before the Commission adopts an order approving new base rates for TEP, Fortis must share the follow-on merger savings that are reasonably applicable to TEP, UNS Electric and UNS Gas and their customers between shareholders and ratepayers, on a 50/50 basis, to the extent the portions of such savings realized by Fortis are material (i.e., 5 percent or more of TEP, UNS Electric and UNS Gas net income on an after-tax basis). UNS Energy must submit, within 90 days of the follow-on merger closing, a comprehensive and detailed proposal to share the follow-on merger savings,

¹ This compares with \$44.25 million (\$9.25 million plus \$35 million) of ratepayer benefits guaranteed by Fortis in its acquisition of the Central Hudson utilities in New York, and \$5 million for a Community Benefit Fund for economic development and low income purposes for that Central Hudson acquisition. See, e.g., RUCO Fortis 1.04 Attachment A, UNS (0011) 001819-1820, included in Attachment RCS-5, that was attached to my Direct Testimony.

1 to begin on the closing date of the follow-on merger. In addition, the proposal must
2 include an allocation method for sharing the synergy savings and efficiency gains
3 among corporate entities that addresses the time period from the receipt of the synergy
4 savings by TEP, UNS Electric and UNS Gas until the Commission approves new rates.
5 The ratepayer share shall be set aside in a deferral account for future Commission
6 disposition.²

- 7 • Fortis and UNS Energy agree and commit that none of the shareholder litigation costs
8 shall be borne by the ratepayers of TEP, UNS Electric or UNS Gas.³
- 9 • Fortis and UNS Energy agree and commit that all Change of Control costs and
10 Retention Bonus costs are transaction costs and none of those costs shall be borne by
11 the ratepayers of TEP, UNS Electric or UNS Gas.⁴ None of the transaction costs related
12 to this acquisition and merger shall be borne by the ratepayers of TEP, UNS Electric or
13 UNS Gas.
- 14 • Fortis and UNS Energy agree and commit that all benefits of the plans to sell coal to
15 third parties for treatment to generate Internal Revenue Code §45 credits and to buy-
16 back treated coal for burn at Springerville 1 and 2 (and at any other TEP coal-fired
17 generating plants where such arrangements are established) will be passed onto TEP
18 ratepayers through the PPFAC as described in the response to RUCO UNS 2.07.⁵
- 19 • Fortis and UNS Energy shall report to the Commission within five business days any
20 changes in the credit ratings of Fortis, Inc., UNS Energy, TEP, UNS Electric or UNS
21 Gas.

22
23 **Q. Does the Settlement include most of those additional conditions that you had**
24 **recommended?**

25 **A.** Yes, it does. Specifically, the Settlement includes the following conditions, which, as I will
26 describe, correspond to the ones listed above from my direct testimony.

27
28 This condition, provided for in the Settlement Conditions at paragraph 12, for "add on"

² This is similar to the provision for Follow-On Merger Savings that Fortis committed to in its acquisition of the Central Hudson utilities in New York. See, e.g., RUCO Fortis 1.04 Attachment A, page UNS (0011) 001816, included in Attachment RCS-5, attached to my Direct Testimony.

³ See, e.g., Response to RUCO Fortis 2.09, a copy of which is included in Attachment RCS-5, attached to my Direct Testimony.

⁴ See, e.g., Responses to RUCO Fortis 2.32, 2.11 and 2.02 and RUCO UNS 1.04, copies of which are included in Attachment RCS-6, that was filed with my Direct Testimony.

⁵ A copy of the response to RUCO UNS 2.07 was included in Attachment RCS-5, filed with my Direct Testimony.

1 merger benefits, is similar to the condition in the second bullet point from my Direct

2 Testimony recommendations:

3 12. In the event that Fortis completes any additional mergers or acquisitions
4 within the United States before the Commission adopts an order approving
5 new rates for the Regulated Utilities, Fortis must share the follow-on merger
6 savings that are reasonably applicable to the Regulated Utilities and their
7 customers between shareholders and ratepayers, on a 50/50 basis, to the
8 extent the portions of such savings realized by Fortis are material (i.e., 5
9 percent or more of UNS Energy's consolidated net income on an after-tax
10 basis). UNS Energy must submit, within 90 days of the follow-on merger
11 closing, a comprehensive and detailed proposal to share the follow-on
12 merger savings, to begin on the closing date of the follow-on merger.

13 The following condition, provided for in the Settlement Conditions at paragraph 7, which
14 protects Arizona ratepayers from having to pay for the cost of shareholder litigation,
15 compares with my recommendation in the third bullet point listed above:

16 7. Fortis and UNS Energy shall not pass any costs of the shareholder
17 litigation related to the merger to ratepayers of the Regulated Utilities.

18
19 The following condition, provided for in the Settlement Conditions at paragraph 8, which
20 protects Arizona ratepayers from having to pay for transaction and transition costs,
21 including Change of Control and Retention payments related to the merger, compares with
22 my recommendation in the fourth bullet point listed above:

23 8. Fortis, UNS Energy, and/or the Regulated Utilities shall not seek recovery
24 of or on the transaction and transition costs associated with the merger, and
25 agree that any Change of Control and Retention payments related to the
26 merger will not be borne by the ratepayers of the Regulated Utilities.

27 The following condition, provided for in the Settlement Conditions at paragraph 3, to
28 formalize TEP's previously stated commitment to pass onto ratepayers benefits resulting
29 from a Section 45 coal treatment and buy-back arrangement, is similar to my
30 recommendation in the fifth bullet point listed above:

1 3. Fortis and UNS Energy agree and commit that benefits from the sale of
2 coal, that would otherwise be used for TEP generation, to third parties for
3 treatment to generate Internal Revenue Code Sec. 45 credits and to buy-back
4 treated coal for burn at Springerville 1 and 2 (and any other TEP coal-fired
5 generating plants where such arrangements are established) will be passed
6 onto TEP ratepayers through the PPFAC.

7 **Q. How does the Settlement provide for tangible ratepayer benefits?**

8 A. The Settlement includes the following condition to provide for tangible ratepayers benefits
9 and savings:

10 **1. Ratepayer Benefits/Savings - Ratepayer Benefits/Savings - UNS**
11 **Energy shall provide ratepayer credits totaling \$30 million over 5 years, to**
12 **be shared by the customers of TEP, UNS Electric and UNS Gas (referred to**
13 **collectively as the "Regulated Utilities") as follows:**

14 (a) A total of \$10 million in year one (commencing October 1, 2014) with
15 \$5 million being payable to customers as a bill credit to be applied to the
16 monthly customer charge in an amount proportional to the average customer
17 charge in each class and \$5 million to be passed through to customers as a
18 per kWh or per therm credit through the Regulated Utility's PPFAC or PGA.

19 (b) A total of \$5 million per year in years 2 through 5 payable to customers
20 as a bill credit to be applied to the monthly customer charge in an amount
21 proportional to the average customer charge in each class.

22 (c) All bill credits payable under subsections (a) and (b) hereof shall
23 commence October 1st of each applicable year and be completed within six
24 (6) months, i.e., by the following March 1st.

25 The Settlement thus provides for tangible ratepayer benefits, albeit in an amount (\$30
26 million) that is less than the \$59 million that I had recommended. The Settlement provision
27 noted above also provides a specific mechanism for delivering the \$30 million of benefits
28 to Arizona ratepayers. This provision is a significant improvement over the Joint
29 Applicants' initial proposal, which had not provided for any tangible ratepayer benefits.

30 **Q. How does the Settlement address reporting for changes in the credit ratings of Fortis,**
31 **Inc., UNS Energy, TEP, UNS Electric and UNS Gas?**

1 A. The Settlement provides in Attachment A, Settlement Conditions, at paragraph 45, that:
2 "Fortis and UNS Energy shall report to the Commission and RUCO within ten (10) business
3 days any changes in the credit ratings of Fortis, Inc., UNS Energy, or the Regulated
4 Utilities."⁶

5
6 **Q. Why do you believe that it is important that the Commission and interested parties be**
7 **informed with reasonable promptness (i.e., per the Settlement, within ten business**
8 **days) of changes in such credit ratings?**

9 A. The acquisition of UNS Energy by Fortis has been cited as potentially improving the
10 financial strength and credit ratings of UNS Energy and its Arizona utilities; however, there
11 are some risks associated with the transaction, one being the large amount of Goodwill
12 which is resulting from the acquisition, which could become impaired at some point, and
13 affect the strength of Fortis' balance sheet.

14 Improved credit ratings could be expected to reduce the borrowing costs of the three
15 Arizona Regulated Utilities (TEP, UNS Electric and UNS Gas) that are being acquired by
16 Fortis. In contrast, lowered credit ratings could increase borrowing costs and impede the
17 ability of the Regulated Utilities' access to capital on reasonable terms. I note that the
18 proposed transaction, with the additional and improved conditions that are provided for in
19 the Settlement, is expected to result in an improvement to the financial strength and access
20 to capital of UNS Energy and the three Arizona utilities. While it may be expected that
21 credit ratings will improve under Fortis' ownership, that is not guaranteed and the opposite
22 could potentially occur. Receiving prompt notification of changes in credit ratings of Fortis,
23 UNS Energy and the Regulated Utilities is thus important to monitoring changes in the
24 financial health of these Arizona utilities.

⁶ My original recommendation had been for such reporting within five business days; however, having such reporting occur within ten business days provides for reasonable promptness.

1
2 **Q. Does the Settlement also include other conditions that were recommended by Staff?**

3 A. Yes. The Settlement also includes a number of other additional or modified conditions that
4 were recommended by Staff which help provide protection to Arizona ratepayers from some
5 of the risks of the proposed transaction. The following are illustrative examples of two of
6 the conditions recommended by Staff that have been included in the Settlement and which
7 improve the proposed transaction:

8 2. Within sixty (60) days of the closing, Fortis shall make an equity infusion
9 through UNS Energy into the Regulated Utilities totaling \$220 million.
10 However, if the transaction closes after September 30, 2014, the equity
11 infusion may be made into UNS Energy to retire debt.

12 4. In all rate cases filed by the Regulated Utilities through 2020, with a test
13 year ending on or after December 31, 2015, the Regulated Utilities shall
14 show that the proposed rate increases are demonstratively lower than those
15 that would have been proposed absent the acquisition of UNS Energy by
16 Fortis.

17 Several of the other additional or modified conditions proposed by Staff (or other parties)
18 which have been incorporated into the Settlement, taken as package, significantly improve
19 upon the transaction that was originally proposed by the Joint Applicants.

20 **Q. Are you satisfied that the additional conditions that have been imposed on the**
21 **proposed transaction by the Settlement have resulted in significant improvements to**
22 **the proposed transaction in comparison to the Joint Applicants' initial proposal?**

23 A. Yes.

24
25 **Q. Does your testimony address the ultimate question of whether the proposed**
26 **transaction, with the improved conditions that are being imposed via the Settlement,**
27 **is in the public interest?**

1 A. No. RUCO witness Patrick Quinn presents RUCO's position concerning whether the
2 proposed transaction, with the additional conditions that are provided for in the Settlement,
3 is in the public interest.

4

5 **Q. Does this conclude your testimony in support of the Settlement?**

6 A. Yes, it does.